



COUNCIL AGENDA: 02-26-13
ITEM: 6.1

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni Taber, CMC
Acting City Clerk 

SUBJECT: SEE BELOW

DATE: 2-14-13

SUBJECT: PAVEMENT MAINTENANCE FUNDING STRATEGY

RECOMMENDATION

As recommended by the Transportation and Environment Committee on February 4, 2013 and outlined in the attached memo previously submitted to the Transportation and Environment Committee, accept the staff report and presentation on proposed funding strategy to fully address the City's pavement maintenance needs consisting of the following concurrent elements:

- (a) Coordinate with the Santa Clara Valley Transportation Authority ("VTA") to pursue a potential ballot measure to "extend and amend" the VTA's countywide transportation sales tax program to include major street sealing and rehabilitation;
- (b) Pursue City funding from new General Fund revenues raised through a potential City ballot measure;
- (c) Pursue City funding from a potential ballot measure for a street repair bond program; and
- (d) Support State legislation allowing ballot measures to increase tax revenues for local transportation purposes to be approved 55% voter approval instead of the current 2/3rds threshold.



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Hans F. Larsen

SUBJECT: PAVEMENT MAINTENANCE
FUNDING STRATEGY

DATE: January 16, 2013

Approved

Date 1/25/13

RECOMMENDATION

1. Accept staff report and presentation on proposed funding strategy to fully address the City's pavement maintenance needs consisting of the following concurrent elements:
 - a. Coordinate with the Santa Clara Valley Transportation Authority ("VTA") to pursue a potential ballot measure to "extend and amend" the VTA's countywide transportation sales tax program to include major street sealing and rehabilitation.
 - b. Pursue City funding from new General Fund revenues raised through a potential City ballot measure.
 - c. Pursue City funding from a potential ballot measure for a street repair bond program.
 - d. Support State legislation allowing ballot measures to increase tax revenues for local transportation purposes to be approved with 55% voter approval instead of the current 2/3rds threshold.
2. Transportation and Environment Committee to review and discuss proposed funding strategy and provide input on follow up with the full City Council.

BACKGROUND

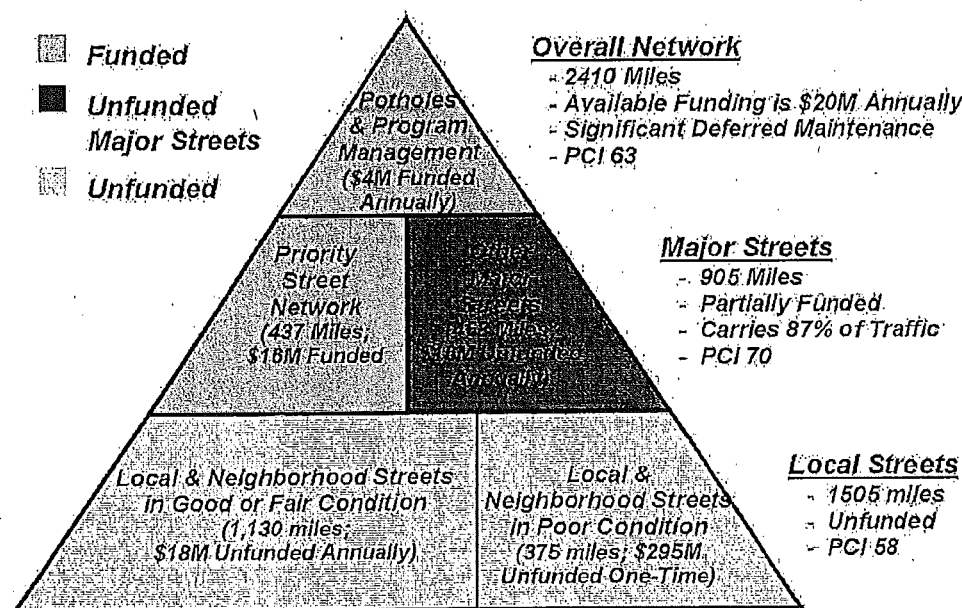
On December 3, 2012, the Transportation and Environment (T&E) Committee reviewed and discussed the annual Pavement Maintenance Program Status Report. The report addressed: 1) current status and trends related to the City's deteriorating pavement conditions; 2) current pavement maintenance funding sources which cover only 20% of the City's needs; and 3) nine opportunities to substantially increase funding for pavement maintenance. A copy of the report is attached for further background reference. The T&E Committee directed staff to develop a recommended strategy and workplan geared towards fully funding the City's pavement

maintenance needs. This report responds to the Committee's direction by recommending a preferred funding strategy. Depending on input from the T&E Committee on the strategy, a more detailed workplan can then subsequently be prepared.

ANALYSIS

As illustrated in Figure 1, the City's pavement program and needs can be categorized into five groups, only two of which are funded. With an average available funding level of about \$20 million annually, the City is only able to fund: 1) program management and Citywide pothole repairs (\$4 million) and 2) the Priority Street Network (\$16 million).

Figure 1 – San Jose "Pavement Maintenance Pyramid"



PCI = Pavement Condition Index Ratings; Good (100 to 70); Fair (69 to 50); Poor (under 50)

Funding Strategy

For the three unfunded elements of the City's pavement maintenance program, the table below provides a summary of the recommended funding strategy. Staff recommends seeking voter approval for three revenue measures that include: 1) extending and amending the VTA's current transportation sales tax program for Santa Clara County; 2) augmenting ongoing City general funds from a City sales tax increase; and 3) a City bond measure for one-time pavement rehabilitation.

TRANSPORTATION AND ENVIRONMENT COMMITTEE

January 16, 2013

Subject: Pavement Maintenance Funding Strategy

Page 3

Unfunded Pavement Maintenance Element	Funding Proposal
<p><i>Other Major Streets</i></p> <ul style="list-style-type: none"> - 468 miles - \$16 million annual need - Full funding improves and keeps streets in "good" condition 	<p><i>Extend and Amend VTA's Transportation Sales Tax</i></p> <ul style="list-style-type: none"> - Make existing tax permanent or at least extend by 30 years. Currently requires 2/3rds voter approval. - Allocate portion of funds to cities for pavement maintenance as is typical for most California "self-help" counties. - Work with VTA and other stakeholders to have VTA consider ballot measure for 2014 or 2016. - Similar measures were on 2012 ballot in Alameda and Los Angeles counties but narrowly missed getting 2/3rds approval.
<p><i>Local and Neighborhood Streets in "Good" or "Fair" Condition</i></p> <ul style="list-style-type: none"> - 1,130 miles - \$18 million annual need - Full funding improves and keeps streets in "good" condition 	<p><i>Increase City's General Purpose Sales Tax</i></p> <ul style="list-style-type: none"> - Consider ¼-cent or ½-cent City sales tax increase ballot measure for 2014. Requires voter approval by simple majority. - Use funds for basic City services including pavement maintenance. - Similar measures were approved in November 2012 by several Bay Area cities including Fairfield, Moraga, Orinda, Half Moon Bay, Vacaville and Sebastapol.
<p><i>Local and Neighborhood Streets in "Poor" Condition</i></p> <ul style="list-style-type: none"> - 375 miles - \$295 million one-time need - Full funding restores streets to "good" condition 	<p><i>Enact a San Jose Street Repair Bond Measure</i></p> <ul style="list-style-type: none"> - Consider ballot measure for 2014. Currently requires 2/3rds voter approval. - Scope and funding for bond measure could be expanded to include other local transportation construction or rehabilitation needs related to safety, traffic flow, ADA, bikeways, lighting and street trees. - Polling was conducted in 2012 for a City transportation bond program in the amounts ranging from \$195 million to \$395 million and with voter support ranging from 56% to 68%. - The cost of a \$295 million bond measure for the average homeowner is approximately \$100 per year. - In 2000 and 2001, San Jose voters approved \$600 million in bond programs for libraries, parks and public safety.

State Legislation Lowering Approval Threshold to 55% (SCA4)

As an effort to increase the viability of voter approval for special taxes dedicated for transportation purposes, the City should actively support State legislation that would lower the approval threshold from 2/3rds to 55%. The proposed Senate Constitutional Amendment (SCA) 4 helps facilitate this objective and was introduced in December 2012 by State Senator Carol Liu (Pasadena). However, the bill would need to be amended to cover transportation bond measures in addition to transportation sales tax measures. Passage of SCA4 requires 2/3rds approval by the State Legislature and subsequent approval by a majority of California voters. Staff will bring

forward recommendations to the Rules Committee for support of proposed legislations at the appropriate time.

Other Perspectives

- State and Federal Funding Advocacy - It is noted that the funding strategies recommended in this memorandum focus primarily on local and county solutions to address the City's pavement maintenance funding needs. However, the intent is that continued efforts be made to also seek increased local transportation revenues from other regional, State and Federal sources in alignment with the City Council's legislative priorities. Acknowledging the current political and fiscal environment, the likely outcome of near-term State and Federal transportation funding efforts will probably only offset the current decline in funding from State and Federal gas taxes due to the transition to higher mileage vehicles and alternative fuel vehicles.
- Cost Estimate Refinements - Although staff has placed high importance on providing accurate funding needs and preliminary cost estimates to fully fund maintenance needs and future pavement projects, the actual needs and costs will evolve over time until the City is at the point of implementing actual projects. The evolving nature of the funding needs and costs estimates is due to the continued aging, deferral of maintenance, and deterioration of the City's pavement network, as well as generally escalating pavement maintenance costs. As direction is received from the City Council to take specific steps towards funding actions, staff will scope actual pavement projects and programs, and refine the associated cost estimates to ensure an accurate level of funding is sought to maintain and rehabilitate the pavement network to a state of good repair.
- January 26th Community Priority Setting Session - On January 26, 2012, Mayor Reed is hosting a Budget Priority Session with Neighborhood Associations and the Youth Commission. The question of funding options and priorities for pavement maintenance are among the topics being addressed. Staff will provide a verbal update on input from this forum at the T&E Committee meeting.

COORDINATION

The preparation of this report has been coordinated with the City Manager's Budget Office, Office of Intergovernmental Relations, and the City Attorney's Office.

/s/

HANS F. LARSEN
Director of Transportation

For questions, contact Hans Larsen, Director of Transportation at (408) 535-3835.
Attachment

T&E AGENDA: 12-03-12
ITEM: d(6)



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Hans F. Larsen

**SUBJECT: PAVEMENT MAINTENANCE
PROGRAM STATUS REPORT**

DATE: November 13, 2012

Approved

Date

RECOMMENDATION

Accept status report on San José pavement conditions, funding levels for pavement maintenance, and strategies to improve overall pavement conditions.

EXECUTIVE SUMMARY AND BACKGROUND

The overall deteriorating pavement conditions along San José's over 2400 miles of streets and the lack of sufficient funding for street repairs is a serious concern and the topic of regular discussion by the City Council and the Transportation and Environment (T&E) Committee. In October 2010, the City Council held a special Pavement Maintenance Study Session to gain a current understanding of the City's pavement conditions, trends and funding shortfalls, as well as to discuss goals, funding alternatives and strategies to address pavement maintenance needs. As part of the next steps identified at the Study Session was direction to the Department of Transportation (DOT) to provide periodic status reports on the topic of pavement maintenance to the T&E Committee, and as needed to the full City Council.

An update report on pavement maintenance was discussed with the T&E Committee and the full City Council in October 2011. In light of the very limited funds available for pavement maintenance, subsequent policy actions were recommended by the T&E Committee in March 2012 and adopted by the City Council to prioritize pavement maintenance for a defined set of streets referred to as the Priority Street Network. The Priority Street Network includes approximately 400 miles of streets selected based on a variety of priority considerations related to Envision 2040 policies, high traffic volumes, economic development, transit and bicycle corridors, and major roadways in residential areas. In June 2012, the City Council adopted a budget with increased City funding for pavement maintenance that allows full funding for preserving the Priority Street Network in an overall "good" condition.

Consistent with prior City Council direction, the intent of this report is to: 1) review current status and trends related to the City's pavement conditions, 2) review current pavement maintenance funding sources, and 3) identify best opportunities to substantially increase funding

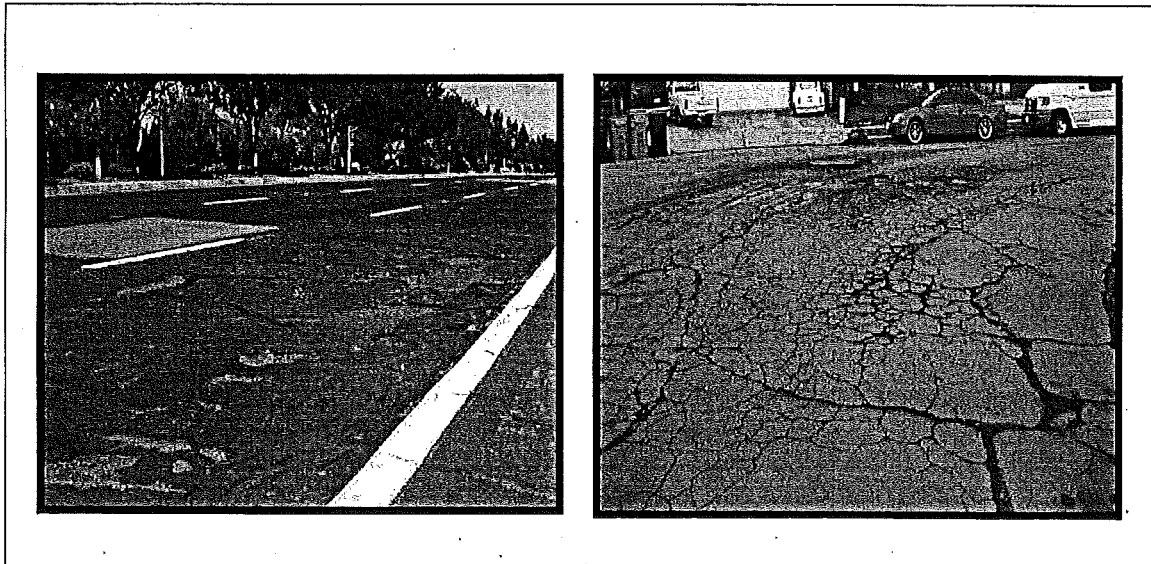
for pavement maintenance to meet Citywide needs. Significant new or updated information contained in this status report includes the following:

- a. The overall condition of San José's street system is rated as "fair" and is declining due to age and a lack of available funds for maintenance. The overall Pavement Condition Index (PCI) rating for all City streets has declined from PCI 64 (in 2011) to PCI 63 (in 2012). The overall condition of the City's Priority Street Network and "other major streets" is considered "good" with a rating of PCI 70. The overall condition of the City's "local and neighborhood streets" is significantly lower with a "fair" rating of PCI 58. See Figure 2 for a description of PCI rating scales.

Attachment 1 provides a map identifying the streets included as part of the adopted Priority Street Network and streets considered "other major streets". Streets not highlighted on the map are considered "local and neighborhood streets." A copy of the map is also available from the internet at: <http://www.sanjoseca.gov/DocumentCenter/View/9181>.

- b. Projected funding for pavement maintenance over the next five years is only sufficient to address 20% of need, with an average of \$20 million annually available to address a \$100 million annual investment need. The funding need is based on achieving an overall "good" street condition, a rating of PCI 70. At current investment levels, overall San José street conditions are projected to drop to a "poor" rating of PCI 46, by 2020.

Figure 1 – Examples of Streets in "Poor" Condition (PCI<50)



- c. The estimated cost to address the current backlog of deferred pavement maintenance has grown to \$339 million (in 2012) and by 2020 will escalate to \$870 million at current funding

levels. Correspondingly, the number of San José streets in “poor” condition will increase from 580 miles (24% of street system) to 1400 miles in 2020 (58% of street system).

- d. In the November 2012 election, eight city or county agencies in the Bay Area submitted tax measures that increased funding for local services including city street pavement maintenance and seven of the measures were successfully passed by voters, with limited term sales tax increases the most common revenue enhancement approach.
- e. The most viable policy options to explore for increasing revenue to improve the pavement condition of San José streets include the actions listed below.

	<i>Policy Options for Improving Pavement Conditions</i>
<i>City/Local Action</i>	<ol style="list-style-type: none"> 1. Increase allocation for pavement maintenance from transportation-related development taxes (consider during upcoming budget process) 2. Consider transportation bond measure to rehabilitate streets in “poor” condition (requires 2/3rd voter approval) 3. Consider general purpose sales tax increase with portion of funds intended for pavement maintenance (requires majority voter approval) 4. Develop voluntary program to allow interested neighborhoods to “self-fund” pavement maintenance for their local streets
<i>Regional/State/Federal Advocacy</i>	<ol style="list-style-type: none"> 5. VTA to increase Countywide Vehicle Registration Fee from \$10 to \$20 annually (requires majority voter approval) 6. VTA to “extend and amend” current Countywide transportation sales tax program to provide funding for local street (requires 2/3rd voter approval) 7. State to lower current 2/3rd voter approval threshold to 55% for local and regional transportation infrastructure taxes (requires State constitutional amendment) 8. State and/or Federal government to increase gas taxes to supplement existing transportation programs (requires legislative action) 9. State and/or Federal government to create new transportation infrastructure investment programs (requires legislative action)

ANALYSIS

Current Status of San José Pavement Conditions and Maintenance Efforts

Prior DOT staff reports from the October 2010 Pavement Maintenance Study Session and T&E Committee reports from October 2011 and March 2012 meetings have provided detailed analysis on the City’s pavement conditions, issues and viable funding options. Some of the key findings along with relevant updates are as follows:

- **Condition Factors** – The overall condition of San José’s pavement infrastructure (2410 miles of streets) is declining based on factors related to age, insufficient past funding for “preventative” maintenance (sealing), increasing need for more costly “corrective” maintenance (pothole repair and rehabilitation), and generally escalating costs for paving materials and labor.
- **Current Pavement Conditions** – The City’s current overall pavement condition is rated as “fair” with a Pavement Condition Index (PCI) rating of 63, a decline from PCI 64 in 2011. San José’s 905 miles of priority and major streets have an overall “good” rating (PCI 70); San Jose’s 1505 miles of local and neighborhood streets have an overall “fair” rating (PCI 58). San José’s major streets are in better overall condition since most Federal and some State funding grants obtained by the City for pavement maintenance are targeted for use on major streets. Figure 2 provides a table with additional information on City street pavement conditions

Figure 2 – San José Pavement Conditions by Street Grouping

Street Grouping	Miles	% Good Condition	% Fair Condition	% Poor Condition	Current PCI	2020 PCI Projection
Priority Street Network	437	63	27	10	71	70
Other Major Streets	468	77	15	8	70	54
Local / Neighborhood	1505	15	61	25	58	42
Overall Network	2410	36	40	24	63	46

PCI Ratings: 70 and above, “Good”; 50 to 69, “Fair”; below 50, “Poor”

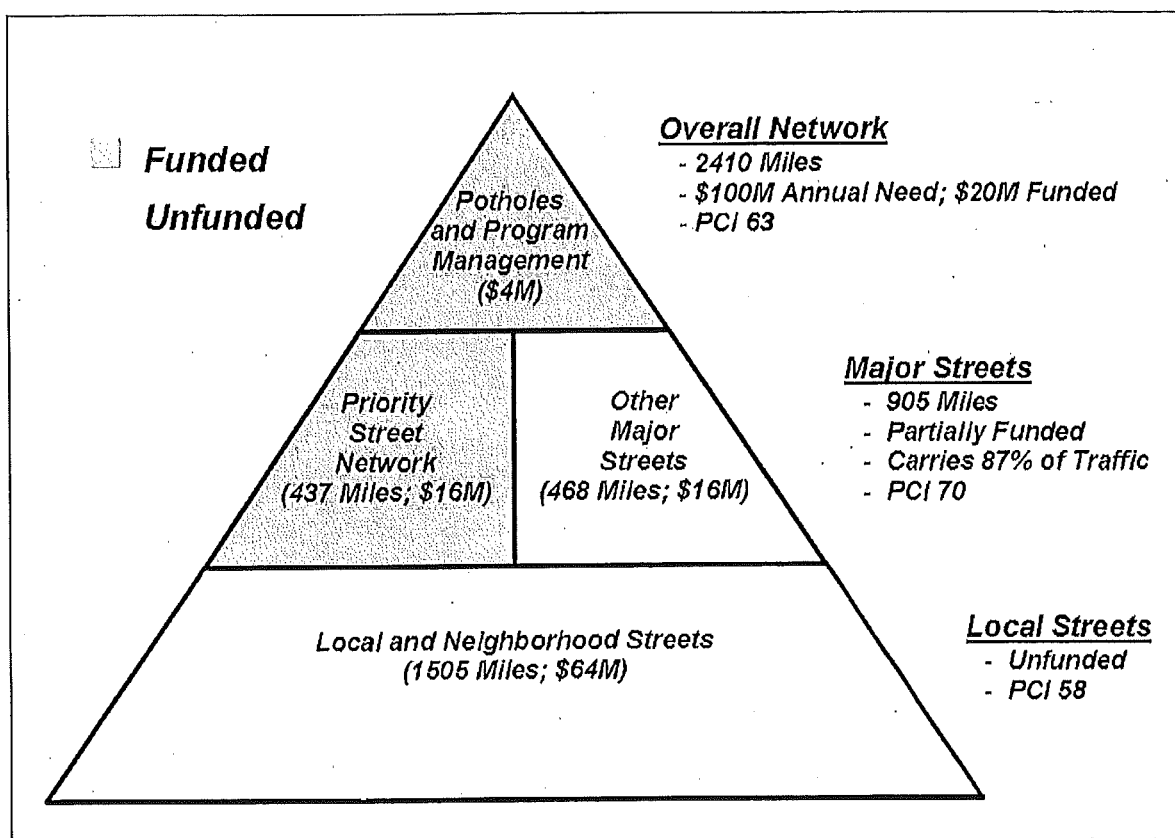
- **Funding Need and Shortfall** – To improve and maintain San José streets in an overall “good” condition (PCI 70) an estimated \$100 million needs to be invested annually over the next 10 years. Currently, projected funding from all sources is approximately \$20 million annually, on average, over the next 5 years, resulting in an average annual shortfall of \$80 million.
- **Pavement Maintenance Investment Priorities** – The illustration in Figure 3 depicts the City’s approach to investing limited pavement maintenance funds, referred to as the “pavement program pyramid”. The first priority, at the “top of the pyramid”, is to fund corrective maintenance work to ensure that all City streets are safe by filling potholes in a timely manner. Also, program management activities related to project development, securing grant funds, and operating the computerized pavement management system are top priorities, all of which support maximizing the receipt of grant funds from other agencies and allow using limited funds in the most cost effective manner.

The “middle of the pyramid” represents the next set of priorities and includes the City’s major street system defined by the Envision 2040 General Plan. These 905 miles of streets make up 38% of all City streets, but carry 87% of the City’s daily traffic volumes. The major streets are divided into two categories – the Priority Street Network and Other Major Streets.

Based on current funding levels, only the Priority Street Network is funded for preventative maintenance and rehabilitation.

The “base of the pyramid” represents the City’s 1505 miles of local and neighborhood streets. These streets have lower traffic volumes and speeds, and generally serve local traffic access needs within neighborhoods and industrial areas.

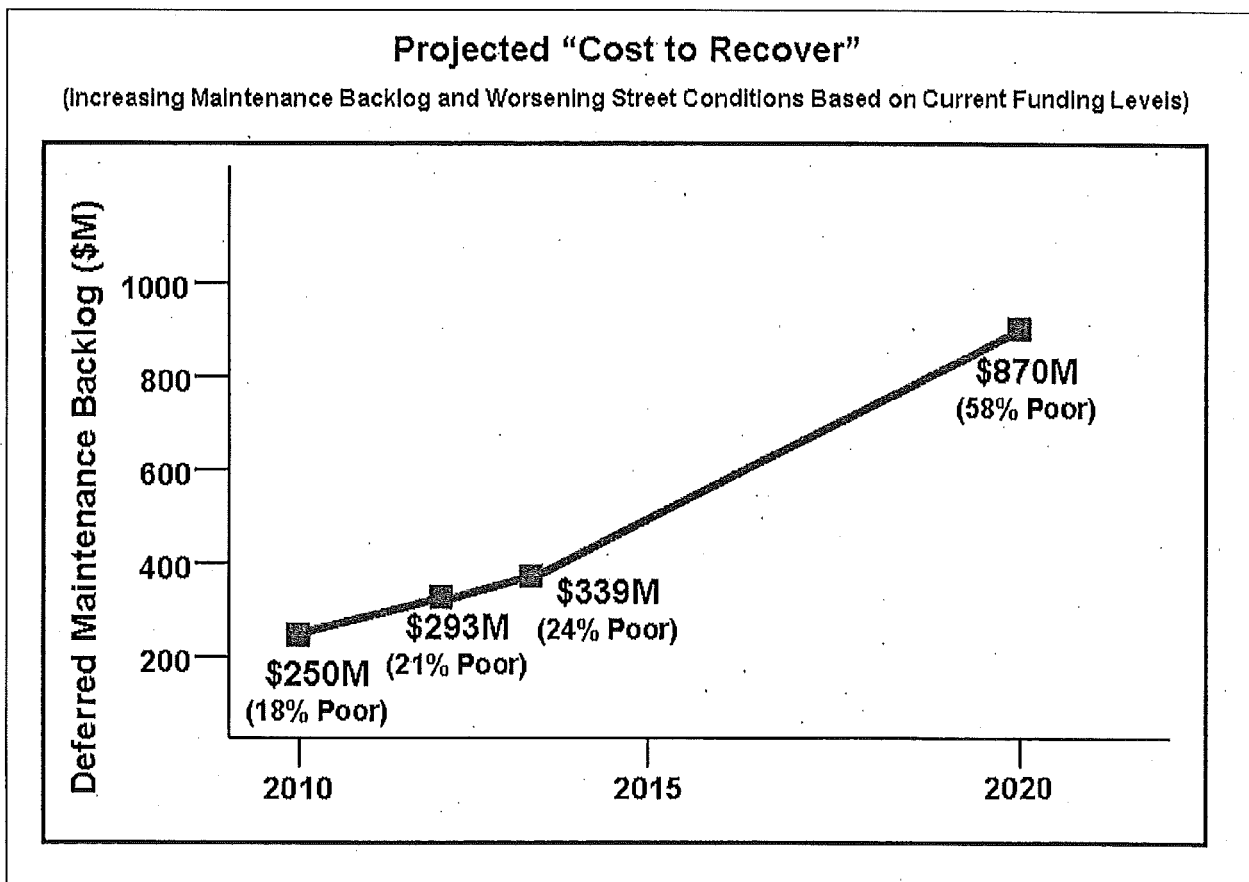
Figure 3 - San Jose “Pavement Program Pyramid”



- **Deferred Maintenance Backlog** – Primarily due to a lack of available funding over the past few years, San José’s estimated backlog of deferred pavement maintenance has increased from \$250 million (in 2010) to \$339 million (in 2012); the quantity of streets in “poor” condition has correspondingly increased from 425 miles (18%) to 570 miles (24%). If funding levels are not increased, the backlog will escalate to \$870 million by 2020 and with 1400 miles of streets in “poor” condition (58%). See graph in Figure 4.

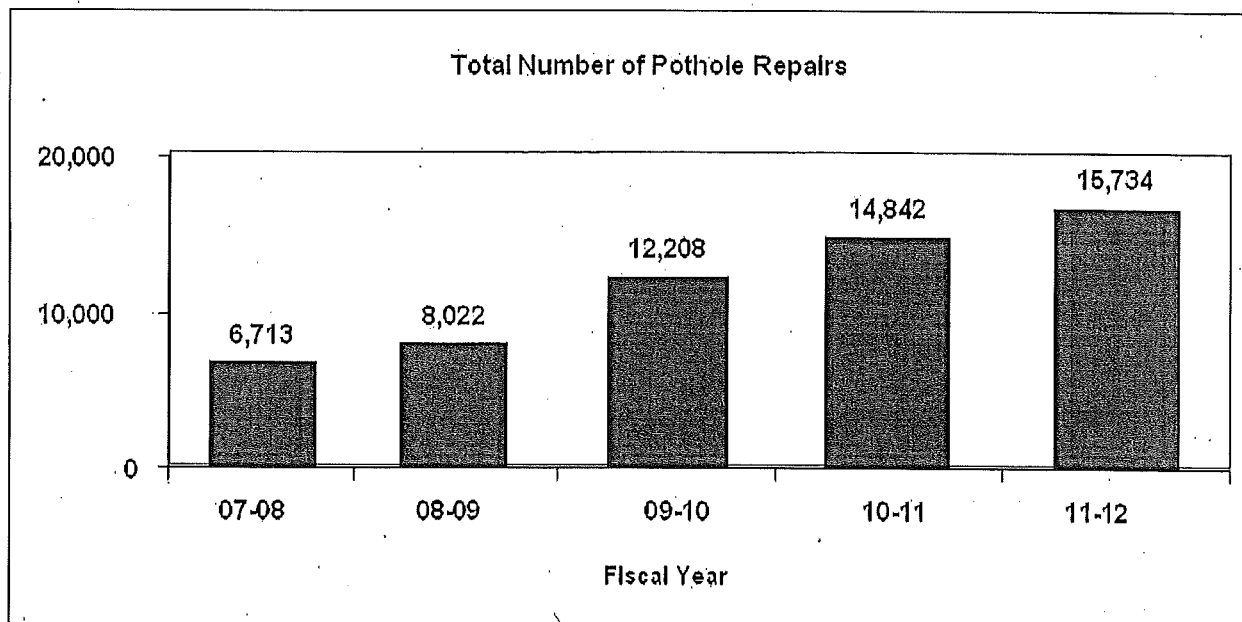
- Continued Use of Innovative Pavement Technologies – The Department of Transportation (DOT) is continuing to use the new pavement recycling and rehabilitation process that was first introduced in 2011 on Monterey Highway between Blossom Hill Road and Bernal Road. This process referred to as Cold In-Place Recycling (CIR) results not only in cost savings but also reduces material and energy usage compared to conventional paving methods. Although the use of this process is limited to certain types of streets, DOT's paving contractors expanded the use of CIR to four pavement resurfacing locations in 2012 along Santa Teresa Boulevard, Los Gatos-Almaden Boulevard, Ocala Avenue, and Redmond Avenue. In addition, the Monterey Road Resurfacing Project will be among the first roadway projects in California to receive a "Greenroads" certification. Greenroads is a new program that enables agencies to evaluate roadway projects for environmental best practices and is similar to the LEED certification for green buildings.

Figure 4 – Deferred Maintenance Causes Increases Future Costs and Worsening Conditions



- Pothole Repair and Corrective Maintenance – With the lack of funding available for preventative pavement maintenance, the number of pothole repairs and the need for corrective maintenance continues to increase (see Figure 5). In addition, the potholes that DOT maintenance crews are encountering require more work to repair and a greater amount of paving material to fill each pothole. On streets where the number of potholes is extensive, the crews “stamp patch” the roadway which is more effective than filling in each individual pothole. Although this is a better maintenance treatment, it does have a higher cost. As more City streets fall into this level of disrepair, an increased amount of funding will be required for corrective maintenance, making less funding available for preventative maintenance.

Figure 5 – Increasing Need for Pothole Repairs

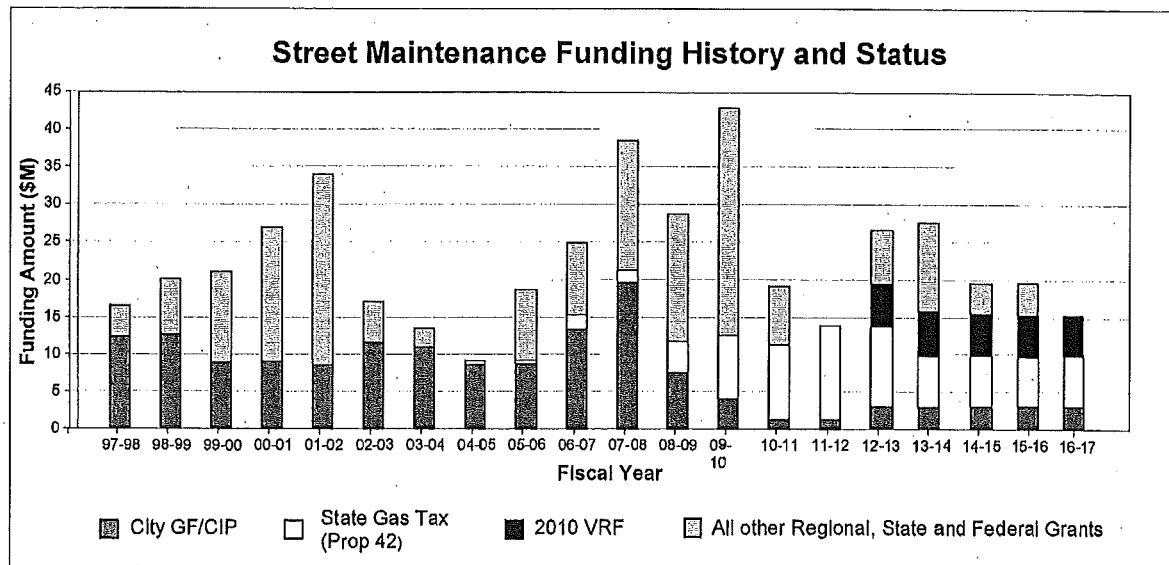


Available Funding for Pavement Maintenance

For the next 5 years, the average annual source of funding for City street pavement maintenance is estimated to be \$20 million, or 20% of the \$100 million annual need. The ongoing sources of funding currently expected include: State gas taxes (\$7.5 million), County Measure B vehicle registration fees (\$5.0 million); and San José development taxes (\$3 million). Additionally, one-time funds expected to be available in the near-term include \$8.7 million in Federal funds through MTC's OneBayArea grant program, and \$12.4 million in Federal funds related to the relinquishment of former State Routes 82 and 130.

In June 2012, the City Council approved an updated Traffic Capital Improvement Program with increased City funding for pavement maintenance up from \$1 million to \$3 million annually, that allowed “full funding” for preserving the Priority Street Network in an overall “good” condition. The chart in Figure 6 depicts the past history and projected future street maintenance funds by major source.

Figure 6 – Street Maintenance Funding History and Status



Pavement Condition Benchmarking and Funding Actions by Other Agencies

- **2012 MTC Pothole Report** – The Metropolitan Transportation Commission (MTC) annually reports on pavement conditions for all 109 Bay Area jurisdictions. San José ranks as having the worst pavement conditions among Santa Clara County jurisdictions, and ranked in the bottom third among Bay Area cities (75th of 109). Attachment 2 provides a summary of the MTC rankings based on data from 2011. A full copy of the MTC pavement condition report is available from the internet at: http://www.mtc.ca.gov/news/press_releases/rel586.htm.
- **November 2012 Bay Area Transportation Measures** – In the November 2012 election, eight city or county transportation agencies in the Bay Area submitted tax measures that increased funding for local services including city street pavement maintenance and seven of the measures were successfully passed by the voters. More information is provided in Attachment 3. The cities where tax measures were approved and their corresponding PCI ratings are as follows: Orinda (PCI 48); Moraga (PCI 56); Half Moon Bay (PCI 59); Sebastapol (PCI 64); Fairfield (PCI 73); and Vacaville (PCI 73). Also, a county transportation tax measure passed in Napa County that benefits the cities of St Helena (PCI 44), Napa (PCI 58), Calistoga (PCI 61), American Canyon, (PCI 71), Yountville (PCI 71), as well as Napa County (PCI 60).

The one transportation funding ballot measure that did not pass was Measure B1, a new ½-cent sales tax proposed by the Alameda County Transportation Authority. The measure missed achieving the 2/3rd approval threshold by less than 1%. Measure B1 is significant in that 30% of the collected funds would have been allocated to the 14 cities in Alameda County, as well as the unincorporated communities. These funds would have significantly improved pavement conditions in cities such as: San Leandro (PCI 56); Oakland (PCI 57);

Berkeley (PCI 58); and Fremont (PCI 63). A similarly structured tax measure in Santa Clara County would provide San Jose with approximately \$20 million annually.

- November 2011 San Francisco Transportation Bond Measure – In November 2011, San Francisco voters approved a \$248 million bond measure, including \$148 million to repair San Francisco streets, with the balance of funds used for bikeways, sidewalks, traffic signals, and ADA curb ramps. San Francisco streets currently have a PCI of 64. The measure passed with 68% approval. Staff provided a memo to the City Council for their meeting on February 28, 2012 with further details related to the San Francisco measure.

Options for Increasing Available Funding for Pavement Maintenance

The root cause for San José's unsatisfactory street pavement conditions is clearly a lack of adequate investment over many decades. The City Council has adopted Legislative Guiding Principles and Priorities that have strived to increase available funding from Federal, State, regional and local sources, including support for State legislation to allow the reduction of the 2/3rd approval requirement for local revenue measures supporting pavement maintenance. Due to both economic and political circumstances, there has been no progress at the Federal and State levels for increased transportation investment. Of concern is that State and Federal investment is actually decreasing since the primary source of transportation revenues from gas taxes is declining, due to improved fuel efficiency standards for vehicles and increased use of hybrids and electric vehicles.

As addressed in prior staff reports, staff from DOT and the City Attorney's Office have researched options for new local funding sources. In addition, staff has coordinated with the Santa Clara Valley Transportation Authority (VTA) to discuss funding options for San José's pavement maintenance program. The following is a summary of staff's recommended nine options to consider for increased pavement maintenance funding.

City/Local Actions

1. Increase City funding allocation for pavement maintenance from transportation-related development taxes – The City currently contributes \$3 million annually for pavement maintenance using funds from development taxes (Construction Excise Tax fund), allocated through the Traffic Capital Improvement Program (CIP). In the past, prior to the recent economic recession, the City funded up \$10 million annually for pavement maintenance from a combination of both the General Fund and the Traffic CIP. The current growth in San José development activity creates an opportunity for increased City funding for pavement maintenance from the Traffic CIP. Policy considerations during the upcoming budget process should also take into account the need to make other transportation investments associated with prior commitments from the former San Jose Redevelopment Agency, as well as the merit of restoring transportation taxes recently reduced as a development incentive tool.

2. Consider transportation bond measure to rehabilitate streets in "poor" condition – During early 2012, the City Council directed staff to conduct polling on the viability of a transportation bond measure to address pavement rehabilitation for City streets. This could be similar to voter initiatives in the past decade for libraries (2000 Measure O, \$212 million), parks (2000 Measure P, \$228 million), and public safety (2001 Measure O, \$159 million). In July 2012 a survey was conducted for a proposed \$195 million bond measure for street improvements. Only 56% of likely voters indicated support, below the 2/3rd threshold necessary for passage.
3. Consider general purpose sales tax increase with portion of funds intended for pavement maintenance – The majority of new tax measures approved in the Bay Area in November 2012 were structured as general purpose sales taxes with ballot language supporting different local services including investment for pavement maintenance. Such measures require a simple majority of voter approval. A ¼-cent or ½-cent sales tax increase in San José is estimated to annually generate \$32 million or \$64 million, respectively. In July 2012, the City conducted polling on a general purpose sales tax increase program and received results showing 60% support for both a ¼ cent and ½ cent sales tax increase. The City Council did not approve the program for the 2012 ballot but did indicate willingness to reconsider it in the near future.
4. Consider development of a voluntary program to allow interested neighborhoods to "self-fund" pavement maintenance for their local streets – In response to an inquiry from Councilmember Oliverio, staff has evaluated the potential for interested communities to "self-fund" pavement maintenance improvements for their local streets, given that the City currently has no funding for neighborhood street maintenance. Staff is willing to consider such a pilot program where communities are willing provide the City funding to complete a defined project. A sample segment was evaluated in the Willow Glen area having a condition rating of PCI 54. The condition of the street requires a resurfacing treatment with an overall cost of \$270,000 and the estimated contribution was in the range of \$4000 to \$4500 per fronting property if all fronting property owners voluntary participated in the program.

Regional/State/Federal Advocacy

5. VTA to increase Countywide Vehicle Registration Fee from \$10 to \$20 annually – In November 2010, the voters of Santa Clara County approved Measure B to enact a \$10 annual vehicle registration fee for countywide roadway system improvements. The measure passed with 52% approval. The VTA manages the funds and approximately \$5 million annually is being provided to San José for pavement maintenance. The enabling legislation SB 83 (Hancock) allows county transportation agencies to initiate ballot measures for vehicle registration fees up to \$10 annually. State legislation would be required for an additional \$10 annual vehicle registration fee increase for a future ballot measure to help improve street conditions in San José and other Santa Clara County jurisdictions.
6. VTA to "extend and amend" current Countywide transportation sales tax program to provide funding for local street maintenance – In California, many counties have approved sales tax

measures to help fund local transportation investments, typically implementing major regional highway and transit projects. Most of these "self-help" programs do provide some/significant funding to local cities for pavement maintenance and other local transportation needs such as safety projects, bikeways, streetscapes and ADA curb ramps. The 2000 Measure A program in Santa Clara County is uniquely focused exclusively on transit investments, including the BART extension to Silicon Valley. The current measure program expires in 2036. It is suggested that the program duration could be extended and amended to provide greater funding flexibility to include funds for local pavement maintenance. Based on the typical funding allocations of other California transportation sales tax programs, a range of \$10 million to \$20 million could be provided annually for San José's local transportation needs. Modifying the VTA's transportation sales tax program requires 2/3rd countywide voter approval.

7. State to lower current 2/3rd voter approval threshold to 55% for local and regional transportation infrastructure taxes – Approval for funding transportation infrastructure investments is challenging because of the need to achieve 2/3rd voter approval for special tax measures. The State legislature and State voters have changed the rules to lower the "super majority" threshold to 55% for school bond measures. State legislation has been initiated to amend the State constitution to allow a 55% threshold for special transportation infrastructure taxes, most recently through an Assembly Constitutional Amendment (ACA 23 – Perea). The City should continue to advocate for this State policy change to assist local efforts to secure revenue for pavement maintenance and other transportation infrastructure.
8. State and/or Federal government to increase gas taxes to supplement existing transportation programs – Gas taxes are the primary revenue source for State and Federal transportation investments including funds allocated to cities for pavement maintenance. The Federal gas tax of 18-cents per gallon has not been increased or indexed for inflation since 1993 and as a result has severely declined in value. From an international perspective, the United States has one of the lowest gas taxes among developed nations and has fallen behind in terms of transportation infrastructure quality and condition. A bipartisan commission of transportation industry experts has recommended a gas tax increase of 40-cents per gallon, essentially tripling the current level of national transportation investment. San José currently receives about \$4 million annually from Federal gas tax sources for pavement maintenance. A tripling of the Federal gas tax could provide increased local funding for pavement maintenance to about \$12 million annually. A similar State gas tax increase could also be considered.
9. State and/or Federal government to create new transportation infrastructure investment programs – Over the last decade, special transportation infrastructure investment programs were implemented by both the State and Federal governments. Each of which provided significant funding to San José for pavement maintenance. In 2006, the State voters approved Proposition 1B providing \$20 billion for various transportation investments -- \$20 million was received by San José for pavement maintenance. In 2007, the Federal government approved the American Recovery and Reinvestment Act (ARRA) which provided \$48 billion for transportation infrastructure -- \$15 million was received by San José

for pavement maintenance. New similar programs could be helpful towards reducing San José's backlog of pavement maintenance needs.

COORDINATION

The preparation of this report has been coordinated with the City Manager's Budget Office, Office of Intergovernmental Relations and the City Attorney's Office.

/s/

HANS F. LARSEN
Director of Transportation

For questions, contact Hans Larsen, Director of Transportation at (408) 535-3835.

Attachments